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C O N F I D E N T I A L SECTION 01 OF 04 LAHORE 000216

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SUBJECT: THE SECRETARY'S MEETINGS WITH THE PUNJABI GOVERNOR, BUSINESS LEADERS

CLASSIFIED BY: Carmela A. Conroy, Consul General, US Consulate General Lahore, US Department of State.

REASON: 1.4 (d)

¶1. (U) October 29; 17:15; Lahore, Pakistan

¶2. (U) Participants:

U.S.

The Secretary

Ambassador Anne W. Patterson

SRAP Ambassador Richard Holbrooke

CG Carmela Conroy

Pakistan

(Both events)

Punjab Governor Salman Taseer

Foreign Minister Shah Mahmood Qureshi

The Governor's Principal Secretary Ahmed Nawaz Sukhera

(Business Roundtable Only)

Ahmed Iqbal Saeed, Sweetwater International

Asif Jooma Abbott Laboratories Pakistan

Assad Umar, CEO Engro

Bashir Tahir, CEO Bank Al-Falah

Farooq Shahid, FMC United Pakistan

Fawad Anwar, Al-Karam Textiles

Gohar Ijaz, All Pakistan textile Mills Association

Ibrahim Qureshi, Raffles Systems Ltd; President, American Business Council

Imran Butt, Levi Strauss Pakistan

Javed Saifullah Khan, CEO Saif Group

Muhammad Latif, Chanab Fabrics

Muhammad Mansha, Nishat Chunian Textlies/Muslim Commercial Bank

Naseem Saigol, CEO Kohinoor

Rizwan Ullah Khan, Country Manager Coca-Cola

Shah Faisal Afridi, Haier Pakistan

Shahbaz Malik, Hilton, Pharma Pvt

Tariq Hassan, Emirate Bank

Vaseem Anwar, CEO Echo West International

Waqar Malik, ICI Pakistan

¶3. (SBU) SUMMARY. On October 29th, the Secretary heard from Punjab Governor Salman Taseer and from Punjabi business leaders about their deep interest in sustained assistance from the United States, especially to help Pakistan fight and recover from the insurgency it finally accepts as a domestic issue. The

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Governor said that Punjabi public opinion had shifted, from slight sympathy for Islamists who resorted to violence, to hatred. He described insurgents as criminals marketing themselves as religious or ethnic leaders. Businessmen asked that the United States expand the products list for Reconstruction Opportunity Zones (ROZs), for greater access to U.S. markets, assistance in improving textile and agricultural outputs, revisions to the Department's travel advisory, and greater U.S. investment in Pakistan. END SUMMARY.

PUNJAB PUBLIC OPINION HAS TURNED AGAINST INSURGENTS

¶4. (C) Punjabi public opinion towards "the terrorists" had shifted 180 degrees, from slight sympathy and indifference to hatred, Punjab's Governor, Salmaan Taseer, told the Secretary during a small meeting in his office. While there had been tepid support for the offensive in Swat, the military effort to root out insurgents from South Waziristan had overwhelming public support. Taseer characterized the insurgents as a motley crew of sectarian groups, the mentally ill, and criminals taking advantage of lawlessness. While adept at portraying their causes along religious or cultural lines, "they are mostly just criminals using the name of Islam." He downplayed the role of Punjabis in violent extremist organizations, claiming that people of the northern tribal cultures were more susceptible to membership in such groups.

15. (C) Taseer stressed the importance of "enduring" development projects in Pakistan. He encouraged the USG to follow the Chinese and Russian pattern of investing in tangible, highly-visible infrastructure projects. Taseer urged USG support for a cancer hospital and for women's housing at universities. He favorably compared Chinese assistance to American assistance. Even though they brought in Chinese labor, instead of hiring locally, Pakistanis appreciated that the Chinese delivered without nagging Pakistan about human rights or other political issues. Note: Women's enrollment at good universities has surpassed men's enrollment, at least in the Punjab, so lack of housing is not proving an unequal barrier to entry.

PAKISTAN NEEDS MARKET ACCESS AND INFRASTRUCTURE INVESTMENT

16. (SBU) Following the small meeting, Taseer led the Secretary to a ball room where he chaired a roundtable of business men gathered to meet her. The business leaders focused on enhancing Pakistan's access to U.S. and European markets. They claimed that Pakistan had been a better friend to the United States than any other nation with whom the United States had free trade agreements (FTAs), but these countries had more advantageous access to U.S. markets. They acknowledged that concluding an FTA with Pakistan would take time, but said that even beginning

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negotiations would benefit Pakistan's economy.

17. (SBU) Businessmen stressed the positive impact that an FTA with the United States could have on reducing unemployment. Ijaz said that with market access and business partnerships with American companies, Pakistan's textile industry could easily add an additional five million employees to the 20 million currently employed. Waqar Malik, Chief Executive of ICI, said that while Pakistan is currently the fourth-largest producer of dairy and cotton, firms lack sufficient capital to enhance yields and grow their businesses; access to the American market and direct foreign investment would change that.

18. (SBU) They also asked that the USG offer Pakistan a Generalized System of Preference - Plus (GSP Plus), and help Pakistan secure the same from the European Union. Gohar Ijaz, Chairman of the All Pakistan Textile Mills Association (APTMA), said Pakistan could compete in the U.S. market if granted beneficial trade and tariff agreements. Some asked that the Reconstruction Opportunity Zones (ROZs) product lists be expanded, especially for textiles and apparel.

19. (SBU) The business leaders recognized that Pakistan had an image problem abroad, and asked the Secretary's help in burnishing its image. That, they said, would attract foreign direct investment. The Secretary's visit had helped hit the "reset button" in relations between the two nations, and what Pakistan needed next from the United States was consistent, long-term economic assistance.

UNEMPLOYMENT, HOPELESSNESS DRIVE TERRORISM

¶10. (SBU) Business leaders stressed that unemployment was the driving force behind domestic terrorism. Javed Saifullah Khan, Chairman of Saif Holdings Limited, echoed the governor's earlier point that Pakistan's Northern areas were a breeding ground for domestic terrorists, with high unemployment and economic isolation. Just 1.7 percent of all credit granted in Pakistan went to the NWFP, according to the APTMA chairman.

SEEKING AMERICAN INVESTMENT IN THE ENERGY SECTOR

¶11. (SBU) Asad Umar, CEO of Engro Group, said development of Pakistan's significant coal reserves could both solve the country's energy crisis and drive economic growth. The coal reserves in the Thar area of Sindh Province alone were estimated to be equivalent to 380 billion barrels of oil; enough potential energy to meet Pakistan's needs for 800 years. While acknowledging that the environmental impact of coal-fired power plants would have to be mitigated since over 40 percent of global power comes from coal, the United States should partner with Pakistan to exploit this resource.

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THE SECRETARY RESPONDS: IT'S A TWO-WAY STREET

¶12. (SBU) The Secretary agreed that the United States could help strengthen Pakistan economically. She cited initiatives already underway, including plans to enhance Pakistan's energy infrastructure, the promotion of ROZs in the U.S. Congress, and assistance in encouraging an Afghanistan-Pakistan Transit-Trade Agreement that would open Central Asian markets to Pakistan. She encouraged them to open trade with India, in pursuit of an enormous Hindi/Urdu speaking market, and pointed out the possibility of economic cooperation paving the way for a political solution in disputed territory. She noted that Pakistan's tax-to-GDP ratio was among the lowest in the world at 9 percent, while the U.S tax-to-GDP ratio ranged from 16 to 20 percent; this meant that Pakistan needed to make a greater effort to collect taxes from on its own citizens. She encouraged the businessmen to take the lead in developing Pakistan, while assuring them that the United States would be a long-term partner contributing to their efforts.

CONROY